

## Message Text

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PAGE 01 HELSIN 00496 140543Z  
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-08 INR-07 LAB-04  
NSAE-00 SIL-01 /033 W  
-----140552Z 019614 /20

R 120855Z MAR 77  
FM AMEMBASSY HELSINKI  
TO SECSTATE WASHDC 1086  
INFO AMEMBASSY COPENHAGEN  
AMEMBASSY OSLO  
AMEMBASSY STOCKHOLM

UNCLAS HELSINKI 0496

EO 11652: N/A  
TAGS: ELAB, FI  
SUBJECT: GOVT MEDIATOR PROPOSES LABOR SETTLEMENT GUIDELINES

REF: HELSINKI 0393

1. A BREAK IN FINNISH COLLECTIVE BARGAINING IMPASSE OCCURRED MARCH 9 WHEN GOVT MEDIATOR LIINAMAA PRESENTED HIS PROPOSED GUIDELINES FOR COMPREHENSIVE TWO-YEAR UNION-LEVEL AGREEMENT. LIINAMAA, WHO SUCCESSFULLY ENGINEERED INCOMES AGREEMENTS IN 1968 AND 1969, PRESENTED PROPOSAL NOT AS BLUEPRINT FOR CENTRALIZED AGREEMENT BUT AS STANDARD GUIDANCE FOR NEGOTIATORS IN EFFORT TO GET PROGRESS ON CONTRACTS.

2. MAIN POINTS OF HIS PROPOSAL INCLUDE INITIAL 4.2 PERCENT AVERAGE WAGE INCREASE FOLLOWED BY WAGE ADJUSTMENT IN OCTOBER, ADDITIONAL INCREASE OF APPROXIMATELY 3 PERCENT A YEAR FROM NOW, 2.5 PERCENT IN OCTOBER 1978, AND 5.5 PERCENT IN MARCH 1979. AVERAGE TOTAL OF 16 PERCENT OVER PERIOD WOULD BE ACCOMPANIED BY TAX CUTS. AGREEMENT HAS AS KEY PREMISES MAINTENANCE OF EMPLOYMENT AND EXPORT COMPETITIVENESS, AND PRESUPPOSES THAT INFLATIONARY ADJUSTMENTS WOULD BE LIMITED. ON THE OTHER HAND, IT ALSO HAS  
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DEVALUATION CLAUSE WHICH WOULD EFFECTIVELY TERMINATE CONTRACT IN EVENT OF DEVALUATION. PROPOSAL INCLUDES COMMITMENTS BY GOVT TO MODERATE PRICE INCREASES AND CURTAIL THEM COMPLETELY IN THE CASE OF ALCOHOL AND TOBACCO. FINALLY, GUIDELINES FORESEE INTRODUCTION OF A FIFTH WEEK OF ANNUAL VACATION BEGINNING 1980.

3. LIINAMAA PACKAGE WOULD INCREASE 1977 LABOR COSTS (WAGES PLUS SOCIAL COSTS) BY NEARLY 10 PERCENT. PROPOSED AGREEMENT WOULD HAVE INFLATIONARY IMPACT OF 5-6 PERCENTAGE POINTS ON CPI. THIS IMPACT WOULD BE LOWER THAN THAT OF 1976 AGREEMENT, BUT THERE IS LITTLE REASON TO EXPECT THAT FINLAND'S 1977 INFLATION WILL BE BELOW THAT OF COMPETING COUNTRIES.

4. INITIAL REACTION FROM LABOR MARKET ORGANIZATIONS AND GOVT WAS ONE OF CAUTIOUS ACCEPTANCE, WITH NOTABLE EXCEPTION OF TRADE UNION COMMUNISTS. LABOR FEDERATION SAK MET MARCH 10 AND VOTED, OVER OPPOSITION OF COMMUNIST MINORITY, TO FORWARD GUIDELINES TO MEMBER UNIONS. PRIMIN MIETTUNEN CALLED PROPOSALS EXPENSIVE BUT SAID GOVT WOULD GO ALONG. STK EMPLOYER FEDERATION DIRECTOR SOMERTO ALSO REGARDED PROPOSALS AS COSTLY BUT ACCEPTABLE CEILING FOR AGREEMENTS AND INDICATIONS ARE THAT STK WILL LIKEWISE GO ALONG.

5. GOVERNOR OF BANK OF FINLAND, AMUNO KOIVISTO, PUBLICLY CRITICIZED CLAUSE WHICH WOULD NULLIFY AGREEMENT IN EVENT OF DEVALUATION. WITH STABLE FINNMARK SET TO BASKET OF CURRENCIES SUBJECTED TO INTERNATIONAL FLUCTUATIONS, SMALL MOVEMENTS OF FINNMARK COULD LEAD TO CONSTANT DEBATE ABOUT WHETHER OR NOT DEVALUATION HAD OCCURRED. KOIVISTO ALSO FEARS DEVALUATION CLAUSE WOULD INCREASE SPECULATIVE PRESSURE AGAINST FINNMARK. KOIVISTO EXPRESSED WILLINGNESS TO NEGOTIATE DIRECTLY WITH LABOR ORGANIZATIONS ABOUT GUARANTEES AGAINST UNCLASSIFIED

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DEVALUATION DURING PERIOD OF AGREEMENT. HE CHARACTERIZED WHOLE AGREEMENT AS TOO EXPENSIVE AND INSISTED THAT THERE WOULD BE NO LOOSENING OF MONETARY POLICY TO ALLOW EMPLOYERS TO PAY HIGHER WAGES. GIVEN CURRENT MONETARY CONSTRAINTS, LIINAMAA PACKAGE WOULD FORCE MARGINAL FIRMS TO LAY OFF WORKERS.

6. HOPE OF LIINAMAA AND THOSE ANXIOUS FOR RESOLUTION OF BARGAINING IMPASSE IS THAT NEXT FEW DAYS WILL BRING SOME INDIVIDUAL AGREEMENTS, AS SETTLEMENTS BY MARCH 15 WOULD BE RETROACTIVE TO MARCH 1. IF MOMENTUM FOR SETTLEMENT IS ESTABLISHED, THERE IS POSSIBILITY THAT SOME STRIKES IN KEY SECTORS (REFTEL) COULD BE AVERTED. ALTHOUGH STRIKES TO DATE HAVE HAD INCONCLUSIVE EFFECT, PRINCIPAL LABOR MARKET ORGANIZATIONS SEEM IN MOOD TO COMPROMISE AND LIINAMAA HAS DOUBTLESS TAKEN SOUNDINGS TO THIS EFFECT BEFORE MAKING HIS PROPOSALS. IT IS HARDER TO JUDGE ATTITUDES OF INDIVIDUAL UNIONS WHO MUST GIVE SUBSTANCE TO THE PROPOSALS. IF UNIONS

DO NOT BEGIN TO REACH AGREEMENTS READILY, MOMENTUM  
OF LIINAMAA'S INITIATIVE MAY BE LOST AND LABOR UNREST  
INCREASE SUBSTANTIALLY. HOWEVER, LIINAMAA'S ACTION  
SEEMS ON BALANCE TO BE A PROMISING DEVELOPMENT.  
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## Message Attributes

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**Channel Indicators:** n/a  
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**Review Markings:**  
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